

Message Text

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ORIGIN PM-09

INFO OCT-01 EA-11 ADP-00 H-02 L-03 SS-14 NSC-10 CIAE-00

INR-09 NSAE-00 RSC-01 OMB-01 TRSE-00 MC-02 IGA-02

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COMUSK

C O N F I D E N T I A L STATE 053786

E. O. 1162: GDS

TAGS: MASS US KS

SUBJECT: SALE OF SHIPS ON LOAN/ LEASE

REF: (A) SEOUL 1026, 210154 ZFEB.73

(B) COMUSK 080836 ZFEB. 73

(C) SEOUL A-199, JUN 7, 72

(D) STATE 190667, 191451 Z OCT. 72

(E) CINCPAC 170348 Z FEB. 73

1. IN VIEW OF ROK BUDGETARY CONSIDERATIONS DESCRIBED

REFS. (A) AND (B), WE BELIEVE THAT, IN THE CASE OF THE

LOANS ON FOUR VESSELS EXPIRING THIS YEAR, SHIP SALES

POLICY SHOULD BE IMPLEMENTED ON A PHASED BASIS. SPECI-

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FICALLY, WE PROPOSE TO EXTEND LOAN ON EACH OF FOUR VESSELS LISTED REF (C) TO COINCIDE WITH YEARLY ROK PURCHASE OF ONE OF THESE VESSELS BEGINNING WITH DESTROYER ESCORT IN CY 74. SINCE WON CY 74 BUDGET ALREADY UNDER PREPARATION (REF B), WE BELIEVE THIS YEAR- BY- YEAR SALES ARRANGEMENT WILL BE MADE MORE PALATABLE BY OUR WILLINGNESS TO SELL LESS EXPENSIVE DESTROYER ESCORT FIRST, AND MORE EXPENSIVE DESTROYERS IN SUBSEQUENT YEARS.

2. DRAWING ON BACKGROUND AND RATIONALE IN PARA 3 AND 4, REF D, YOU SHOULD CONVEY OUR INTENTION TO ROK, AND, IF THERE IS NO ROK OBJECTION, PROCEED WITH AN EXCHANGE OF NOTES TO AFFECT AGREEMENT TO EXTEND LOANS AND ESTABLISH

SALES DATES ACCORDING TO FOLLOWING SCHEDULE AGREED TO WITH OSD:

SHIP REVISED LOAN EXPIRATION & SALE DATE PRESENT PRICE

HOLT (DE-706)	6/19/74	\$ 80,000
ERBEN (DD-63 L)	5/16/75	150,000
HICKOX (DD-673)	11/15/76	150,000
HALSEY POWELL (DD-686)	4/27/77	150,000

3. AS REGARDS TO OTHER VESSELS ON LEASE OR LOAN, NO DECISION HAS BEEN MADE BUT YOU SHOULD NOT LEAD KOREANS TO BELIEVE THAT FURTHER EXTENSIONS WILL BE GRANTED.

4. EXCEPT HOLT, THERE ARE NO OTHER VESSEL LOANS EXPIRING IN 1974. HOWEVER, ACCORDING TO OSD, SCHEDULED EXPIRATIONS NUMBER ELEVEN IN 1975, AND NINETEEN IN 1976. AT PRESENT PRICES ROK WOULD HAVE TO PAY ABOUT \$630,000 IN 1975, AND \$890,000 IN 1976 FOR THESE VESSELS. REQUEST YOUR VIEWS ON ROK REACTION TO THIS PROSPECT. ROGERS

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*** Current Classification *** CONFIDENTIAL

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